

All interested parties,
stakeholders in GB and beyond,
and other regulatory bodies

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Date: 28 November 2018

Dear colleague,

Approval of the amended Fallback Procedures for the Channel capacity calculation region

On 29 May 2018, we¹ received a proposal from Channel Transmission System Operators (TSOs) in accordance with Article 44 of the guideline on the Capacity Allocation and Congestion Management (CACM Regulation)². The proposal was submitted to us by the relevant GB TSOs in line with our assignment of obligations.³

This letter sets out our decision, in line with all the Regulatory Authority agreement reached by the relevant Regulatory Authorities, to approve the amended Channel Fallback procedures. The letter concludes with an outline of the necessary next steps.

Background

The Channel Fallback procedures are a regional proposal developed by the TSOs of the Channel capacity calculation region (CCR). The Channel Fallback procedures propose the required actions for capacity allocation in the event that the single day-ahead coupling process is unable to produce results. Single day ahead coupling means the auctioning process where collected orders are matched and cross-zonal capacity is allocated simultaneously for different bidding zones in the day-ahead market.⁴

The Channel Fallback procedures were originally approved on 14 June 2017 as interim arrangements in advance of the implementation of a common platform in the Channel CCR for executing Shadow Auctions. The amended Channel Fallback procedures were submitted to us by the relevant GB TSOs on 29 May 2018. The amended procedures provide for the

¹ The Gas and Electricity Markets Authority. Ofgem is the Office of the Authority. The terms "Ofgem" and "the Authority," "we" and "us" are used interchangeably in this letter.

² Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM Regulation). CACM Regulation came into force on 14 August 2015. It aims to maximise the efficient use of interconnection and facilitate greater cross-border electricity trade, through market coupling in the day-ahead and intraday timeframes. Market coupling should make sure power is produced where it is most efficient and used where it is most valued, to lower prices for consumers and support secure and sustainable supply.

³ See TSO decision letter here: <https://www.ofgem.gov.uk/publications-and-updates/decision-our-consultation-assignment-transmission-system-operator-obligations-under-requirements-generators-demand-connection-high-voltage-direct-current-and-forward-capacity-allocation-regulations-within-gb> .

⁴ See Article 2(27) of CACM Regulation.

transition to the common platform for Shadow Auctions as an enduring solution and facilitate further harmonisation of the fallback arrangements in the Channel region.

CACM Regulation requires the competent Regulatory Authorities to consult, closely cooperate, and coordinate with each other in order to reach an agreement and take decisions within six months following receipt of the proposals by the last Regulatory Authority⁵. The proposal was received by the last relevant Regulatory Authority on 1 June 2018. Regulatory Authorities are therefore required to make a decision on this proposal by 1 December 2018 at the latest.

Our Decision

We have reviewed the proposal submitted to us in line with the requirements of CACM Regulation, the wider objectives of the Regulation (EC) No 714/2009⁶ and our statutory duties and obligations. In making our decision we have considered how TSOs took into account the views expressed during the public consultation of the proposal.⁷

As required by Article 9(10) of CACM Regulation, we have consulted, and closely cooperated and coordinated with other Regulatory Authorities in order to reach an agreement on this proposal. All Regulatory Authority agreement for the proposal was reached on Tuesday 27 November 2018. This agreement is attached as an annex to this decision letter and constitutes the reasons for our decision.

In line with the all Regulatory Authority agreement, we hereby approve the amended Channel Fallback proposed by the relevant TSOs.

Decision not to undertake an Impact Assessment

We have not undertaken an impact assessment for this proposal. This is because the proposal is limited in scope and does not constitute a significant change to existing requirements and arrangements for the Channel Fallback procedures. The adoption of the Channel Fallback methodology is furthermore a requirement of CACM Regulation, which has already been subject to an impact assessment. Accordingly, we consider that an impact assessment is unnecessary.

Next Steps

In accordance with Article 9(14) of CACM Regulation, following approval by the last competent Regulatory Authority, the relevant TSOs must publish the Channel Fallback Procedures on the internet and must meet the implementation deadlines detailed in Article 5 of the Channel Fallback Procedures.

If you have any queries regarding the information contained within this letter, or the all Regulatory Authority agreement in the annex, please contact Holly MacDonald at Holly.MacDonald@ofgem.gov.uk.

Yours faithfully,

Michael Wagner,
Deputy Director, Wholesale Markets & Commercial

⁵ Article 9(10) of CACM Regulation.

⁶ Regulation (EC) No 714/2009 here: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0015:0035:EN:PDF>

⁷ The consultation for the Channel TSOs proposal for fallback procedures was held 19 January 2018 to 19 February 2018, and is available on the ENTSO-e website: https://consultations.entsoe.eu/markets/channel-tsos-proposal-for-fallback-procedures-in-a/consult_view/